

MISC (MISC MK)

Future-Proofing All Divisions

Highlights

- **2026: A year of adjustments and embracing new growth.** On hindsight, 2025 may be the year where the most brutal point of fleet rejuvenation hit the hardest, as the group bid farewell to many of its legacy LNGC and tanker ships. Looking forward, 2026 is likely the year of adjustments, consolidation and growth. Firstly, we continue to expect the petroleum segment to remain resilient with a focused fleet growth, alongside potential upside from geopolitical escalation related to Venezuela. If this leads to more Venezuelan barrels being redirected towards the US, it would be positive for Aframax demand.
- **For offshore division, MISC's ability to achieve operational excellence in Brazil and secure new FPSO/FPU contracts is commendable,** perhaps also a materialisation of gaining the status as a strategic subsidiary for Petronas. Lastly for its gas division, despite being in the midst of more uncertainties in the LNGC industry for 2026, we retain our view that LNG earnings had bottomed with no further expiries until 2027. Moreover, we noted positive progress (albeit slow) in disposing idle steam turbine LNGC
- With minimal downside risk to 2026 earnings and dividend yield, we retain BUY and SOTP-based target price of RM8.70 (implies 14x 2026F PE).

Analysis

- **Strong tanker demand sustainable for 1H26,** with global oil supply largely still expected to outpace annual global oil demand growth (consensus forecast: +1m boepd). We believe this will continue supporting crude tanker fundamentals, extending the "tale of two fronts" in the 2025 market environment (please see RHS table). In addition, geopolitical escalation related to Venezuela will continue to generate volatility. According to Gibson, a potential outcome may be more Venezuelan barrels being redirected into the US, as well as restarting crude flows to Europe and India. The Aframaxes are the key beneficiaries among the tanker classes, as they are the main workhouse for the above routes. MISC's petroleum arm, AET Tankers, operates 65 petroleum fleet, of which 21 are Aframaxes.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	14,271.7	13,237.5	16,240.0	13,666.9	15,050.0
EBITDA	4,695.6	4,202.5	4,810.1	5,359.5	5,977.1
Operating profit	2,881.4	2,593.7	3,027.8	3,410.0	3,860.4
Net profit (rep./act.)	2,123.5	1,193.5	2,415.2	2,697.5	3,132.9
Net profit (adj.)	2,498.2	2,340.1	2,415.2	2,697.5	3,132.9
EPS	56.0	52.4	54.1	60.4	70.2
PE (x)	13.6	14.6	13.9	12.4	10.7
P/B (x)	0.9	0.9	0.9	0.8	0.8
EV/EBITDA (x)	9.2	10.0	8.9	8.2	7.5
Dividend yield (%)	4.7	4.7	4.7	4.7	4.7
Net margin (%)	14.9	9.0	14.9	19.7	20.8
Net debt/(cash) to equity(%)	25.0	23.4	23.6	25.9	26.2
Interest cover (x)	6.4	5.8	7.0	7.6	8.2
ROE (%)	5.5	3.2	6.3	7.0	7.9
Consensus net profit	n.a	n.a	2,364.6	2,477.1	2,649.3
UOBKH/Consensus (x)	n.a	n.a	1.0	1.1	1.2

Source: MISC, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM7.85
Target Price	RM8.70
Upside	10.8%

Analyst(s)

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Stock Data

GICS Sector	Industrials
Bloomberg ticker	MISC MK
Shares issued (m)	4,463.8
Market cap (RMm)	35,040.4
Market cap (US\$m)	8,653.0
3-mth avg daily t'over (US\$m)	3.5

Price Performance (%)

52-week high/low				RM7.9/RM6.7
1mth	3mth	6mth	1yr	YTD
3.8	7.5	3.6	9.0	0.6

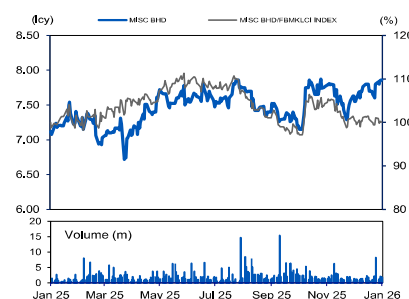
Major Shareholders

	%
Petroleum Nasional Bhd	51.1
Employees Provident Fund	16.3

Balance Sheet Metrics

	%
FY25 NAV/Share (XX\$)	8.85
FY25 Net Debt/Share (XX\$)	2.74

Price Chart



Source: Bloomberg

Company Description

Shipping company. It employs finance lease (FL) accounting for assets in which it has long-term charter contracts, especially liquefied natural gas carriers (LNGC). It also operates very large crude carriers (VLCC), mid-sized tankers, and dynamic positioning shuttle tankers (DPST). Offshore division operates floating, production, storage and offloading (FPSO) vessels

- **As the LNGC industry enters a major consolidation phase, we continue to believe MISC's LNG earnings had reached a bottom.** Previously, we guided that as of 3Q25, seven LNGC were laid up (including two that had early terminations). Barring any unforeseen situation of early terminations, there should be no expiries or new idling risk for 2026. While there are eight more LNGC expiries, these only materialise from 2027 onwards and would be offset by the new deliveries of LNGC (including the new JV Qatar LNGC), amounting to 3/8/4 units for 4Q25/2026/27 respectively.
- **Making progress in disposing idle LNGC.** Secondly, Tradewinds reported positive progress as MISC had in Oct 25 successfully sold Puteri Delima and Puteri Nilam (both built 1995) for demolition, which we believe now drops the idle fleet to five. Subsequently, Tradewinds also reported in Dec 25 that MISC is inviting interest for the sale of three steam-turbine LNGC namely Puteri Firus Satu and Puteri Zamrud Satu (both built 2004), along with Puteri Mutiara Satu (built 2005). As a comparison, a recent sale by Oman-based Asyad Shipping Co of four steam-turbine LNGC was worth US\$110m.
- **Offshore division: Mero-3 FPSO ramp-up....** As highlighted before, the FPSO Marechal Duque de Caxias took only 201 days to ramp up to maximum nominal capacity in May 25, a feat that is quicker vs most other Petrobras FPSOs ie FPSO Guanabara. This feat will help expedite (although we still do not expect, yet) progress to full charter rates, and a planned partial stake disposal.
- **... and additional new floating projects ramping up.** MISC recently secured a major win from Petronas Carigali for a new Floating Production Unit (FPU) with a 12-year charter tenure, in a new market for MISC, ie Brunei. The FPU will support a key Petronas deepwater project, the Kelidang Cluster, from target start date of 1H29. Capex estimate is US\$750m, according to an academic study projection. Such contract win is positive in our view, as it can potentially "replace" another important FPSO project for the group ie FPSO Kikeh, which may not likely see extension beyond 23 Jan 28 (extended once for six years), given that PTTEP is in the midst of tendering for a new FPSO replacement instead.

Valuation/Recommendation

- **Retain BUY, with an SOTP-based target price at RM8.70**, implying 14x 2026F PE (in line with average five-year PE band). We advise accumulating on weakness as MISC weathers the near-term weak LNG outlook, which will be rebalanced by early deliveries of long-term charters, even though we conservatively still retain LNG DCF discount of 25% by 2028. Moreover, MISC demonstrated its ability to replenish contracts in all three segments, hence justifying its ambitious MISC2030 cash flow growth targets (50% operating cash flow growth by 2030, from 2022 base), and our new growth catalyst of RM1.25/share in our SOTP.

Earnings Revision/Risk

- **Retain earnings forecasts.** Key risks are unexpectedly higher cost, and unexpected early terminations of the existing LNGC contracts, even after factoring in that MISC is entitled for early termination compensation.

Crude Tanker Market Review (2025)

- **A tale of two fronts.** The year 2025 began with steady 1H25 rates, followed by a notable uplift in 2H25 rates.
- **Geopolitical factors** encouraged opportunities leveraging on trade inefficiencies arising from sanctions, including reduced tanker supply after excluding shadow fleet
- Fundamentally, tanker demand was spurred by higher crude production. Oil-on-water volumes surged to multi-year peak

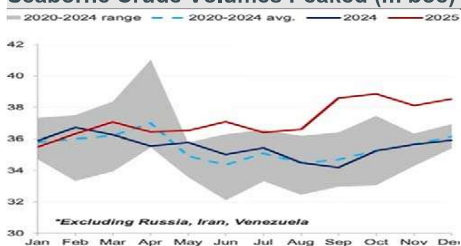
Source: Teekay Tankers, Clarksons

Crude Tanker Spot Rates (2025)



Source: Teekay Tankers, Clarksons

Seaborne Crude Volumes Peaked (m boe)



Source: Teekay Tankers, Clarksons

LNGC Market Review (2025) and Outlook

- **Global fleet growth remains faster than liquefaction capacity** (where many projects faced delay start-ups).
- Drewry projects new deliveries of 89/94/92 in 2025/26/27, implying annual fleet growth of 10% against global fleet of 823 (as of 1H25).
- **170MTPA of new liquefaction capacity built by 2027** will be sufficient to absorb the LNGC surplus. Another 200MTPA of planned capacity - which must obtain final investment decision by 2027 - will require 150-180 new LNGC by 2030.
- While traditionally LNGC are ordered only when long-term offtake charters are secured, the LNG market today is more flexible allowing redirect cargoes or short-term trades.
- For 2026, the key question lies in the **underlying utilisation risk** if demand underperforms or market condition changes, and how the LNGC industry responds to it
- **Demolition age of LNGC is getting younger** towards 15 years of age. Vessels that are >15 years old are roughly 35% of total global fleet.

Source: Teekay Tankers, Clarksons

SOTP Target Price

Segments	Valuation	RM/share
LNG	25% discount on DCF	1.76
Petroleum	1.4x P/B	3.62
MMHE (66.5%)	RM0.50 target price	0.12
Gumusut	1x (no DCF discount)	1.74
Kikeh	1x P/B	0.23
FPSO Mero 3	JV DCF, lesser 10% discount	0.48
Other offshore	0.9x P/B	0.75
(-) Net debt	LNG (RM5b); others RM4b	-1.24
(+) New contracts	Potential contracts; FPSO and LNG	1.25
	14x 2026F PE	8.70

Source: UOB Kay Hian

Environmental, Social, Governance (ESG) Updates

Environmental • Carbon (CO2) reduction. Adding new vessels with LNG-dual/ ammonia fuel to meet IMO aspirations (50% greenhouse gas & 70% CO2 reduction by 2050) • Promoting circular economy via green ship recycling. Aims to avoid wastage while disposing of aged vessels that do not meet the carbon reduction criteria. • Safety (HSE). Lost Time Injury Frequency (LTIF) improved to 0.18 (AET: 0.07).
Social • Diversity. >20 nationalities, >40% female proportion among onshore staff. • Digitalisation/ R&D. Invested RM202m in 2020 to improve employee safety, productivity, maritime supply chain and compliance
Governance • Achieved 5/5 rating (FTSE4Good) for governance & supply chain management.

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	13,238	16,240	13,667	15,050
EBITDA	4,202	4,810	5,360	5,977
Deprec. & amort.	1,609	1,782	1,950	2,117
EBIT	2,594	3,028	3,410	3,860
Associate contributions	97	400	334	352
Net interest income/(expense)	(719)	(682)	(703)	(730)
Pre-tax profit	1,284	2,746	3,041	3,482
Tax	(50)	(58)	(64)	(73)
Minorities	(40)	(273)	(280)	(276)
Net profit	1,194	2,415	2,697	3,133
Net profit (adj.)	2,340	2,415	2,697	3,133

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	23,461	25,771	28,081	30,391
Other LT assets	24,115	21,329	21,312	21,068
Cash/ST investment	6,677	6,793	6,252	6,320
Other current assets	6,182	7,959	6,632	7,299
Total assets	60,435	61,852	62,277	65,078
ST debt	3,333	3,080	3,080	3,080
Other current liabilities	5,742	5,715	4,154	4,536
LT debt	12,161	12,777	13,393	14,009
Other LT liabilities	885	885	885	885
Shareholders' equity	37,604	38,412	39,503	41,029
Minority interest	709	983	1,262	1,539
Total liabilities & equity	60,435	61,852	62,277	65,078

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	4,277	4,753	5,296	5,904
Pre-tax profit	1,284	2,746	3,041	3,482
Tax	74	(58)	(64)	(73)
Other operating cashflows	2,919	2,064	2,319	2,495
Investing	(1,192)	(2,627)	(3,827)	(3,827)
Capex (growth)	(1,985)	(4,620)	(4,620)	(4,620)
Others	793	1,993	793	793
Financing	(4,166)	(2,011)	(2,011)	(2,011)
Others/interest paid	(4,166)	(2,011)	(2,011)	(2,011)
Net cash inflow (outflow)	(1,080)	115	(542)	67
Beginning cash & cash equivalent	7,732	6,677	6,793	6,252
Changes due to forex impact	25	1	1	1
Ending cash & cash equivalent	6,677	6,793	6,252	6,320

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	31.8	29.6	39.2	39.7
Pre-tax margin	9.7	16.9	22.2	23.1
Net margin	9.0	14.9	19.7	20.8
ROA	2.0	4.1	4.6	5.2
ROE	3.2	6.3	7.0	7.9
Growth				
Turnover	37.9	69.2	42.4	56.8
EBITDA	0.5	15.0	28.1	42.9
Pre-tax profit	(54.4)	(2.4)	8.1	23.8
Net profit	(53.8)	(6.4)	4.5	21.4
Net profit (adj.)	(6.3)	3.2	11.7	16.1
EPS	20.2	24.0	38.5	60.8
Leverage				
Debt to total capital	40.4	40.2	40.4	40.2
Debt to equity	41.2	41.3	41.7	41.6
Net debt/(cash) to equity	23.4	23.6	25.9	26.2
Interest cover	5.8	7.0	7.6	8.2

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